



## *Nexus Notes*

July 2019

Friends,

FOMO.

For the uninitiated (like me until recently), FOMO stands for Fear of Missing Out.

*Behavioral finance:* As you might or might not have imagined, I run my personal portfolio a little differently from the way I run clients'. Namely, I tend to be more aggressively invested. First and foremost, my fiduciary duty to clients is to create portfolios that match investment horizons and risk tolerances. One of the findings of behavioral finance is that investors tend to think they have a higher tolerance for risk than they actually do. This is the reason that I create portfolios along the risk spectrum from aggressive growth to absolute value and apply a diversification methodology that reduces risk as an investment goal is approached. However, even the aggressive portfolio is diversified across differing stock sizes (large, mid, and small) and domiciles (U.S. and foreign) to try to achieve growth without being overexposed in any one class of investment.

*Call for discipline.* In my case, I actually do have a higher tolerance for risk and volatility. Although I've been considering applying my own methodology for reducing risk to myself for some time, FOMO keeps rearing its ugly head. Today's markets are more uncertain than ever. However, something always seems to happen when the market takes a short, steep dive that causes a rebound to its previous highs in relatively short order. Most recently we saw a large downward move in the last quarter of 2018. A few weeks ago most market indices got back to where they were last October. Recently, disappointment in the progress of U.S./China trade talks created another down draft. This past weekend saw a softening of the U.S. tariff stance and the markets were off to the races on Monday. FOMO has prevented me from taking gains in my more aggressive holdings and placing them in more stable ones. Until last week.

*What's good for the goose.* A couple of weekends ago I spent some time modeling all of our holdings to the Personal Portfolio design that I have created for clients. Then, I pulled the trigger last week. The good thing about the Personal Portfolio design? There's still a good portion that is aggressively invested because it will not be touched for 20 plus years. Another good thing? I've taken a big step to prevent FOMO from turning into OH NO! if (when) the markets reverse.

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